

Virginia Department of Human Resource Management

RETIREES *PREPARE FOR THE FUTURE* OF HEALTH BENEFITS

VIRGINIA GOVERNMENTAL EMPLOYEES ASSOCIATION
SATURDAY, SEPTEMBER 16, 2017



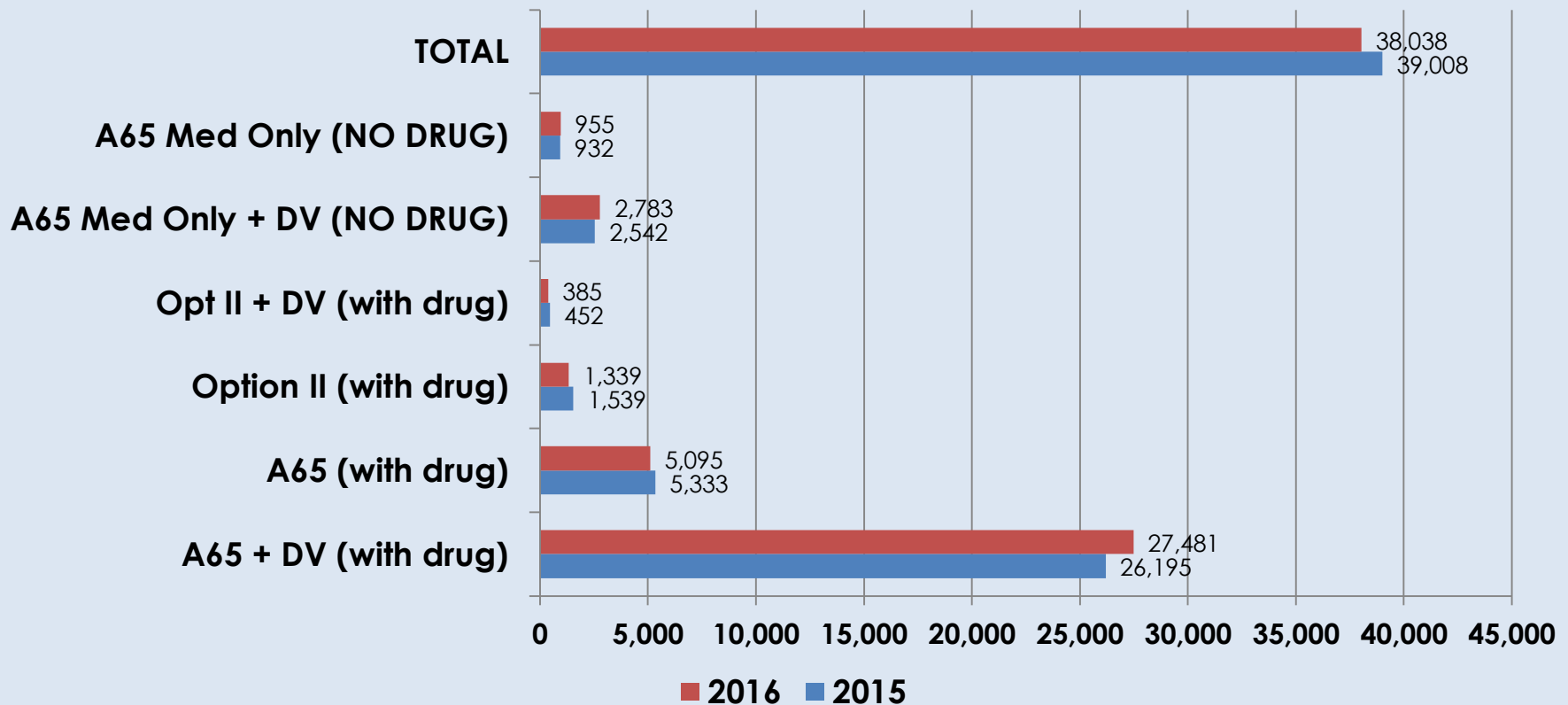
MEDICARE RETIREE ENROLLMENT DECLINED FROM 2015 TO 2016

	A65 + DV (with drug)	A65 (with drug)	Option II (with drug)	Opt II + DV (with drug)	A65 Med Only + DV (NO DRUG)	A65 Med Only (NO DRUG)	TOTAL
2015	26,195	5,333	1,539	452	2,542	932	39,008
2016	27,481	5,095	1,339	385	2,783	955	38,038
# Change	1,286	-238	-200	-67	241	23	-970
% Change	4.9%	-4.5%	-13.0%	-14.8%	9.5%	2.5%	-2.5%

- **2.5% decrease** in **total enrollment**
- Decrease in both **Option II Plans**
 - attrition
 - some moves to the Advantage 65 with Dental and Vision Plan
 - minimal differences in coverage and much higher average claims experience in a smaller population
- Increase in **Medical Only** with no drug coverage plans
 - participants investigate other Medicare Part D options

MEDICARE RETIREE ENROLLMENT DECLINED FROM 2015 TO 2016

Medicare Retiree Enrollment



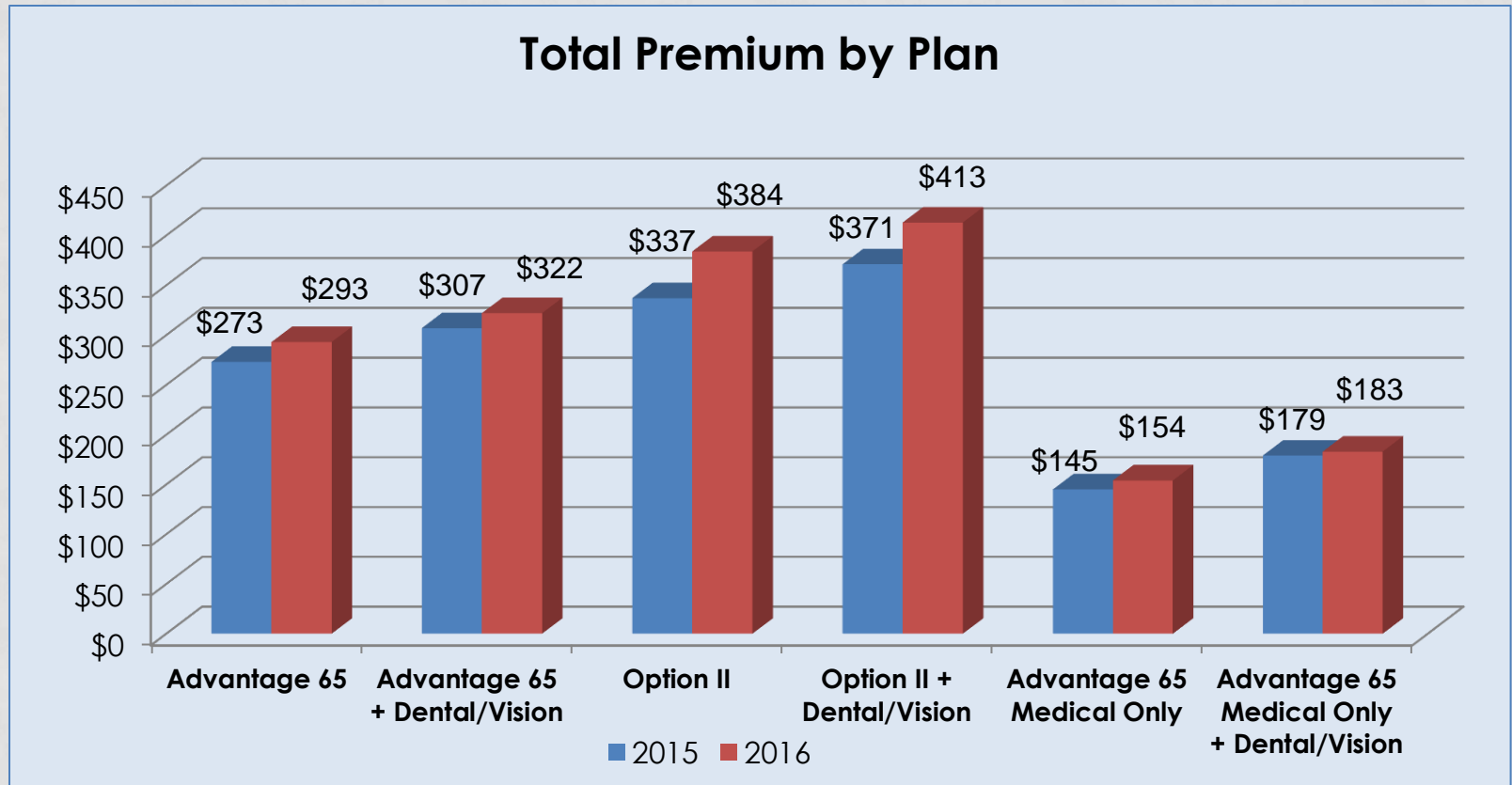
MEDICARE RETIREE TOTAL PREMIUM INCREASED

- **8.5% average increase** over all plans

Total Premium by Plan

	2015	2016	\$ Change	% Change
Advantage 65	\$273	\$293	\$20	7.3%
Advantage 65 + Dental/Vision	\$307	\$322	\$15	4.9%
Option II	\$337	\$384	\$47	13.9%
Option II + Dental/Vision	\$371	\$413	\$42	11.3%
Advantage 65 Medical Only	\$145	\$154	\$9	6.2%
Advantage 65 Medical Only + Dental/Vision	\$179	\$183	\$4	2.2%

MEDICARE RETIREE TOTAL PREMIUM

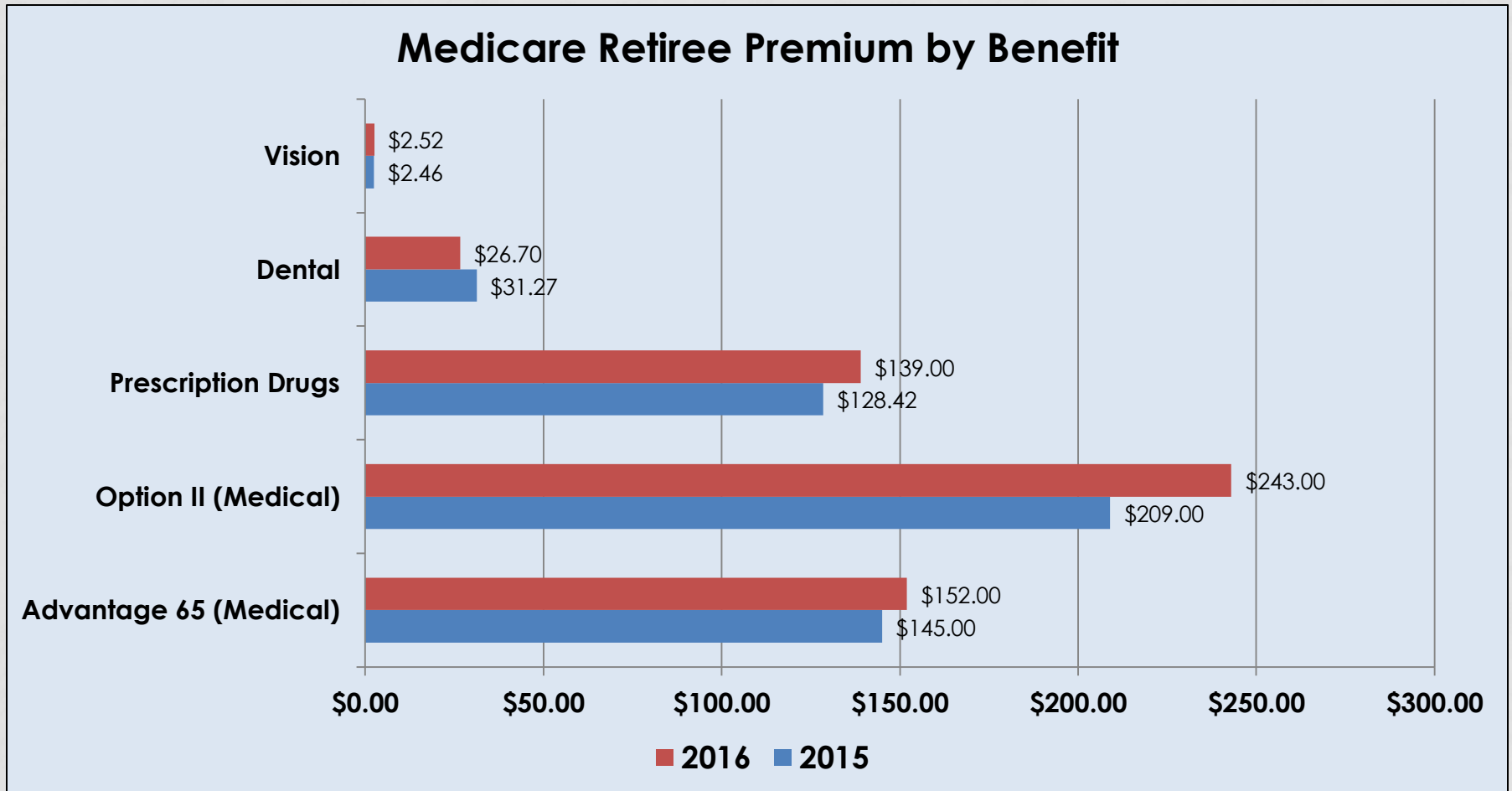


MEDICARE RETIREE PREMIUM BY BENEFIT

- **Cost increased** for all premium components except dental
- **Dental cost decreased** with change in claims administrator
- **Prescription drug** premium cost increased to ensure funding for potential specialty drug cost increases

BENEFIT	2015	2016	\$ Change	% Change
Advantage 65 (Medical)	\$145.00	\$152.00	\$7.00	4.8%
Option II (Medical)	\$209.00	\$243.00	\$34.00	16.3%
Prescription Drugs	\$128.42	\$139.00	\$10.58	8.2%
Dental	\$31.27	\$26.70	-\$4.57	-14.6%
Vision	\$2.46	\$2.52	\$0.06	2.4%

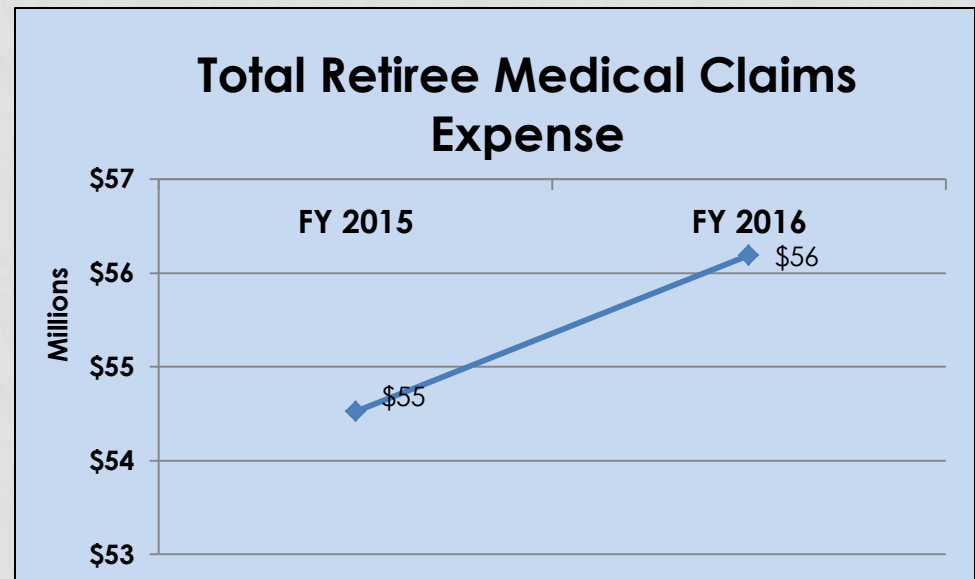
MEDICARE RETIREE PREMIUM BY BENEFIT



MEDICARE RETIREE MEDICAL CLAIMS

Medicare Retiree Medical Claims	FY 2015	FY 2016	\$ Change	% Change
Total Medical Claims Expense	\$54,527,239	\$56,187,145	\$1,659,906	3.0%

- **Medical claims paid**
 - **Secondary** to Medicare
 - **Other services** specifically covered under the plans, but not covered by Medicare



MEDICARE RETIREE ADJUSTED PRESCRIPTION DRUG CLAIMS

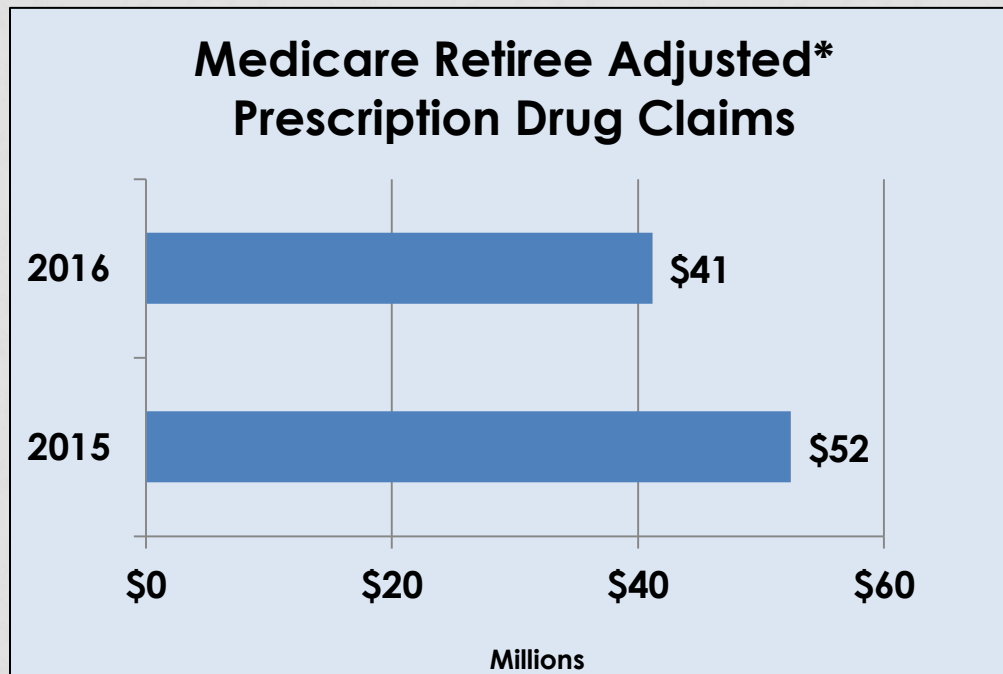
Medicare Retiree Adjusted Prescription Drug Claims				
	2015	2016	\$ Change	% Change
Adjusted Claims Cost*	\$52,437,838	\$41,156,194	-\$11,281,644	-21.5%

- **21.5% decrease in outpatient prescription drug claims** cost in 2016 despite continued increase in development of expensive specialty drugs
 - Higher trend is anticipated
- **Top three diagnoses** for specialty drugs
 1. cancer,
 2. multiple sclerosis
 3. inflammatory conditions

***Adjusted claims cost is the total drug cost, including taxes and administrative costs, minus:**

- Network and mail discount savings
- Costs paid by participants (deductible, copayment, coinsurance)
- Low income subsidies paid by Medicare
- Medicare coverage gap discounts
- Federal subsidy
- Federal reinsurance
- Formulary rebates

MEDICARE RETIREE ADJUSTED PRESCRIPTION DRUG CLAIMS

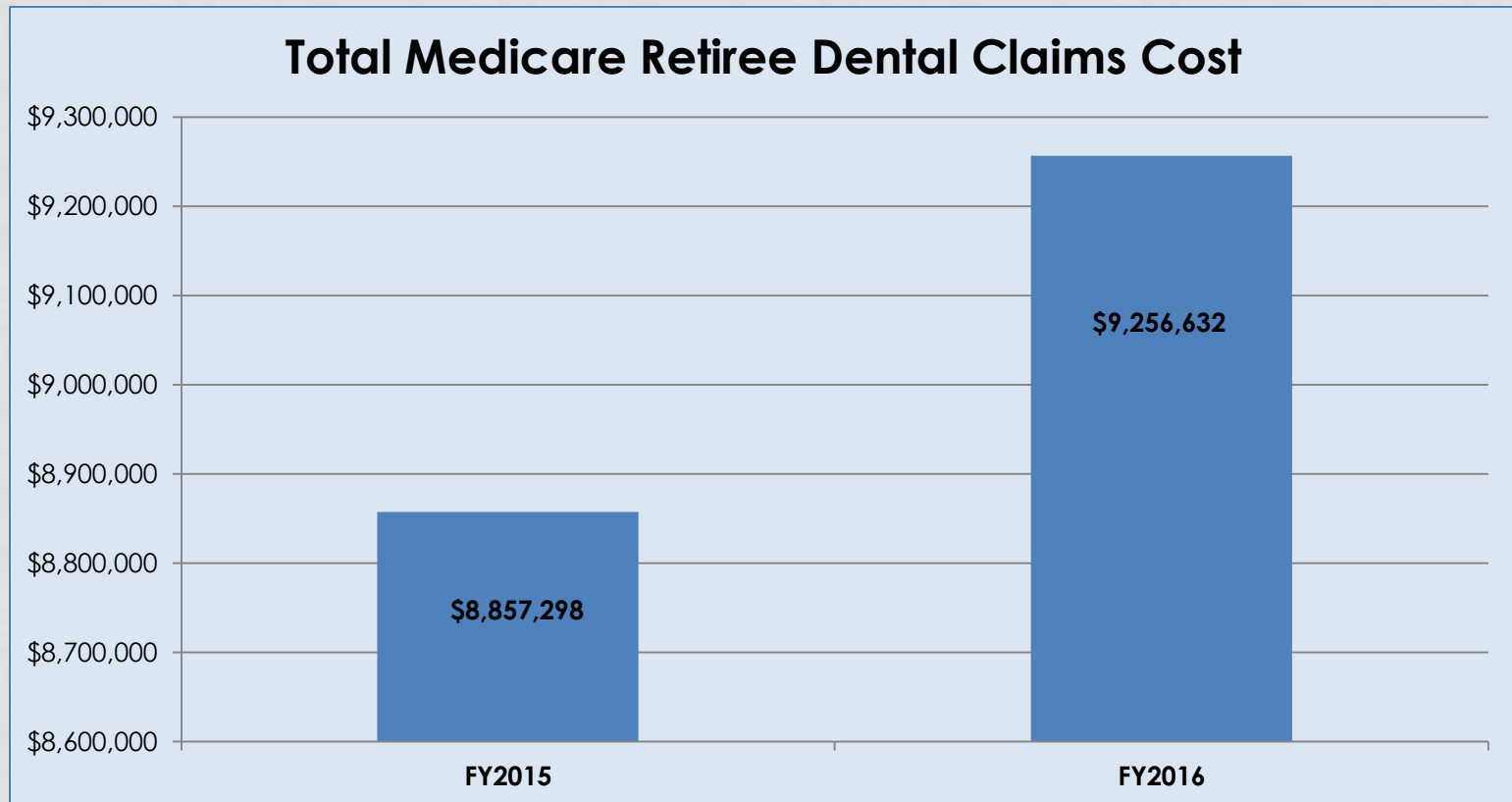


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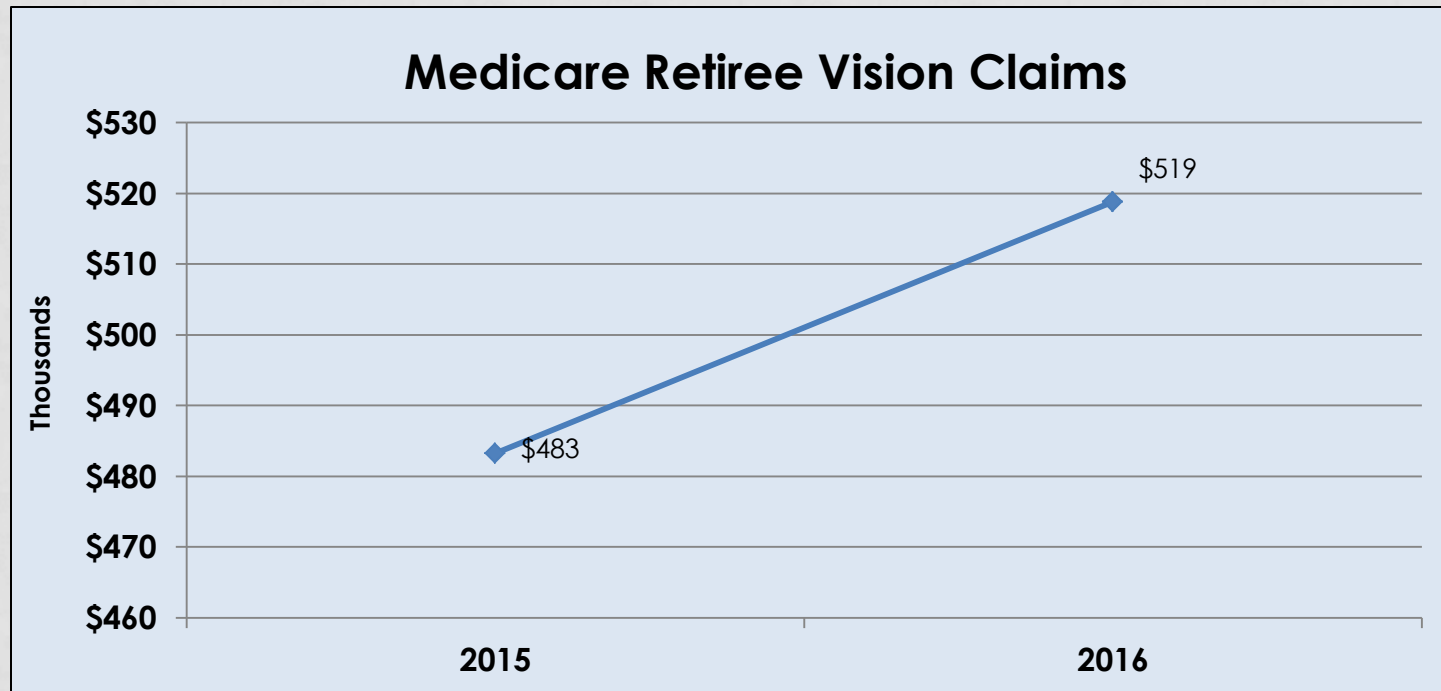
MEDICARE RETIREE DENTAL COST

- **4.5% increase** in FY 16



MEDICARE RETIREE VISION COST

- **7.4% increase in vision** claims between FY15 and FY16, or \$35,560 increase



MEDICARE RETIREE OPERATING SUMMARY

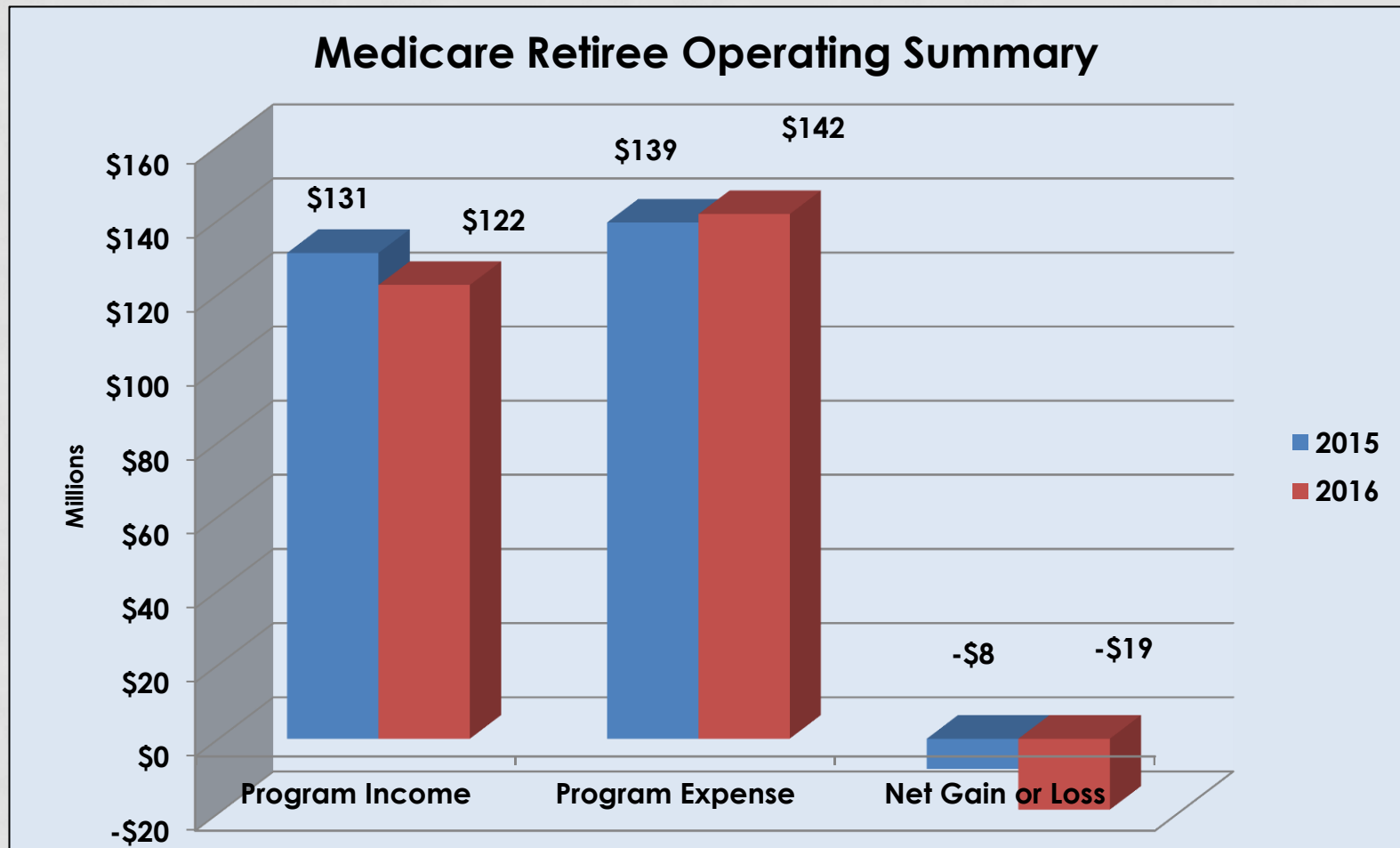
- Medicare Retiree Plans **lost over \$19 million** in FY 2016

Medicare Retiree Operating Summary	2015	2016
Program Income	\$131,089,028	\$122,421,127
Program Expense	\$139,272,132	\$141,554,419
Net Gain or Loss	-\$8,183,104	-\$19,133,292

Program Expense Summary				
	2015	2016	\$ Change	% Change
Total Claims	\$126,954,376	\$129,180,549	\$2,226,173	1.8%
Total Claims Administration	\$11,929,798	\$12,129,244	\$199,446	1.7%
Total Other Administrative	\$387,958	\$244,625	-\$143,333	-36.9%
TOTAL	\$139,272,132	\$141,554,418	\$2,282,286	1.6%

Due to timing of administration and billing, Operating Expense information can differ from Claims Administrator information at a specific point in time.

MEDICARE RETIREE OPERATING SUMMARY



ISSUE: RETIREE PARTICIPATION IN COMMONHEALTH PROGRAMS

- **Non-Medicare retirees** can participate since they fund the program
- **Medicare retirees** cannot participate since their premiums do not contribute to program funding
- **Efforts to coordinate** retiree participation have been challenging
 - **Communications**
 - Avoid mailing cost borne by retirees
 - Insufficient and inaccurate email list
 - No central point of coordination
 - **Access**
 - No security clearance to attend many on-site activities
 - **Interest**
 - Will retirees really travel to a work location to participate?

ISSUE: COVERAGE FOR FITNESS SERVICES –ADVANTAGE 65/OPTION II

What's available?

Discounts offered through Anthem:

- fitness devices
- gym memberships

<https://www11.anthem.com/special/offers/fithealth.html>

What's NOT available?

Silver Sneakers Program:

- Increased cost to all participants to make this added benefit affordable
- Due to limited network availability in some areas, not all participants would have adequate access
- Generally low group utilization
- Not a good enhancement for many participants that will be contributing to the cost

ISSUE: RETIREE DENTAL PLAN COVERAGE

Non Medicare Retirees

Service	Coverage for COVA Care - Expanded Dental
Diagnostic/Preventive	100%
Basic Dental	80%
Major Dental	50%
Annual Maximum Benefit	\$2,000
Lifetime Ortho per participant	\$2,000

Same as active employees

Medicare Retirees

Service	Coverage for Advantage 65 Option
Diagnostic/Preventive	100%
Basic Dental	80%
Major Dental (see next slide)	5%
Annual Maximum Benefit (increased 1/1/2017)	\$2,000

ISSUE: WHY IS MAJOR DENTAL BENEFIT FOR MEDICARE RETIREES LESS THAN FOR NON MEDICARE RETIREES?

- **Benefit added** for the first time in **2011**
 - Previously no major dental benefit
- **No significant increase in premium** cost because small **5% benefit** coverage
- Adding a **50% benefit** would result in a more **significant premium increase**
- Costs for covered major dental services are limited to the **negotiated contractual rate** because a covered benefit
- **Potential savings of significant out-of-pocket** expense for users of the benefit **without the additional premium** cost affecting all participants

COMING SOON!

**ANNUAL RATE NOTIFICATION BOOKLET
FOR MEDICARE RETIREES**

- **Mailed in October 2017**
- **Effective January 1, 2018**
- **Annual update of plan provisions and costs**
 - Premium cost
 - Medical, Prescription Drug, Dental and Vision benefit updates
 - If have prescription drug coverage, then will also receive Annual Notice of Changes from Express Scripts
 - General news and information
 - Resources